



JIM JONES  
Director

## County of Los Angeles INTERNAL SERVICES DEPARTMENT

1100 North Eastern Avenue  
Los Angeles, California 90063

*"To enrich lives through effective and caring service"*

Telephone: (323) 267-2101  
FAX: (323) 264-7135

December 24, 2014

To: Audit Committee

From: Jim Jones  
Director

Subject: **REVIEW OF BOARD POLICY NO. 5.070 – MULTI-YEAR SERVICES  
CONTRACT COST OF LIVING ADJUSTMENTS**

In conjunction with the Chief Executive Office, ISD has reviewed Board Policy 5.070, Multi-Year Services Contract Cost of Living Adjustments, and is recommending the following change, which has been included in the attached red-line version of the policy:

- Date Issued/Sunset Date Section – Extend the sunset review date to March 18, 2017.

If you have any questions regarding this policy review or recommendation, please contact Joe Sandoval at (323) 267-2109, or via email at: [jsandoval@isd.lacounty.gov](mailto:jsandoval@isd.lacounty.gov).

JJ:JS:YY:lg

Attachment

c: Executive Officer, Board of Supervisors  
Interim Chief Executive Officer



# *Los Angeles County* **BOARD OF SUPERVISORS POLICY MANUAL**

Policy #:	Title:	Effective Date:
<b>5.070</b>	<b>Multi-Year Services Contract Cost of Living Adjustments</b>	<b>04/01/97</b>

## **PURPOSE**

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Provides guidelines for the use of Cost of Living Adjustment (COLA) provisions in multi-year services contracts, establishes the maximum allowable COLA.

## **REFERENCE**

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April 1, 1997 Board Order, [Synopsis 73](#)

April 8, 1997 Chief Administrative Office memo, "[Policy on Contract Cost of Living Adjustments \(COLAs\)](#)"

April 25, 1997 Memo "[New Policy on Contract Cost of Living Adjustments \(COLAs\)](#)"

October 2, 2001 [Board Order No. 76](#)

January 29 2002, Chief Administrative Office letter, "Contracting Policy – Cost of Living Adjustments", [Board Order No. 17](#)

September 26, 2006 [Board Order No. 26 and 27](#)

October 17, 2006 [Board Order Nos. 29, 30, and 31](#)

## **POLICY**

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A Cost of Living Adjustment (COLA) is defined as any contract price increase during the term of a contract that is not a cost included in the initially negotiated contract price and is not for an increased service level or workload. A COLA reflects changes in the cost of doing business based on inflation.

COLA provisions in contracts are not mandatory; a department's determination to recommend the use of COLAs shall be a business decision based on such factors as the nature of the services contracted, the market, and the department's history and

experience contacting the specific service. If a services contract is developed as a result of a solicitation and the department decides to recommend the use of COLAs, the department must include the applicable COLA language in the solicitation document.

The following policy language shall be incorporated in substantially similar form into solicitations and contracts that include COLA provisions:

“If requested by the Contractor, the contract (hourly, daily, monthly, etc.) amount may, at the sole discretion of the County, be increased annually based on the most recently published percentage change in the U.S. Department of Labor, Bureau of Labor Statistics’ Consumer Price Index (CPI) for the Los Angeles-Riverside-Orange County Area for the 12-month period preceding the contract anniversary date, which shall be the effective date for any Cost of Living Adjustment (COLA). However, any increase shall not exceed the general salary movement granted to County employees as determined by the Chief Executive Officer as of each July 1 for the prior 12-month period. Furthermore, should fiscal circumstances ultimately prevent the Board from approving any increase in County employee salaries, no COLA will be granted. Where the County decides to grant a COLA pursuant to this paragraph for living wage contracts, it may, in its sole discretion exclude the cost of labor (including the cost of wages and benefits paid to employees providing services under this contract) from the base upon which a COLA is calculated, unless the contractor can show that his/her labor cost will actually increase. Further, before any COLA increase shall take effect and become part of this contract, it shall require a written amendment to this contract first, that has been formally approved and executed by the parties.”

The above calculations establish the “COLA cap.” No COLA may be granted that exceeds the COLA cap, but lesser or no COLA may be appropriate depending on the specific contract.

When COLA provisions are recommended in a contract, the contracting department shall indicate this in the Board letter recommending the contract award in the **CONTRACTING PROCESS** section and specify whether the contract language complies with County policy. The contract award recommendation shall not include actual COLA dollar increases for any subsequent contract or optional extension year because the information necessary to calculate the COLA cap is not known for future years.

Departments shall discuss with Board offices any contract recommendation that does not comply with the County’s COLA policy in advance of issuing the solicitation.

## **RESPONSIBLE DEPARTMENT**

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Internal Services Department

Chief Executive Office

## DATE ISSUED/SUNSET DATE

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Issue Date: April 1, 1997  
Review Date: January 29, 2002  
Review Date: January 19, 2006  
Revised Date: September 26, 2006  
Revised Date: October 17, 2006  
Revised Date: March 18, 2010  
Revised Date: May 21, 2014  
Revised Date: July 16, 2014  
Review Date: October 15, 2014  
Review Date: December 15, 2014

Sunset Review Date: April 1, 2001  
Sunset Review Date: January 28, 2006  
Sunset Review Date: January 19, 2010  
Sunset Review Date: March 18, 2014  
  
Sunset Review Date: July 31, 2014  
Sunset Review Date: September 30, 2014  
Sunset Review Date: March 18, 2015  
Sunset Review Date: March 18, 2017